

OPEN MEETING ITEM

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ORIGINAL



0000147586

ARIZONA CORPORATION COMMISSION

RECEIVED

2013 AUG 23 P 4:06

AZ CORP COMMISSION
DOCKET CONTROL

DATE: AUGUST 23, 2013

DOCKET NO.: E-02044A-12-0419

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Teena Jibilian. The recommendation has been filed in the form of an Opinion and Order on:

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

SEPTEMBER 3, 2013

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

SEPTEMBER 10, 2013 AND SEPTEMBER 11, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

DOCKETED

AUG 23 2013

DOCKETED BY	nr
-------------	----

Jodi A. Jerich
JODI JERICH
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

www.azcc.gov

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP – Chairman
4 GARY PIERCE
5 BRENDA BURNS
6 BOB BURNS
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF
9 DIXIE ESCALANTE RURAL ELECTRIC
10 ASSOCIATION, INC. DBA DIXIE POWER, FOR
11 A DETERMINATION OF THE FAIR VALUE OF
12 ITS PROPERTY AND FOR AN ORDER SETTING
13 JUST AND REASONABLE RATES.

DOCKET NO. E-02044A-12-0419

DECISION NO. _____

OPINION AND ORDER

14 DATES OF HEARING: June 14 (pre-hearing conference) and June 17, 2013
15 PLACES OF HEARING: Phoenix, Arizona
16 ADMINISTRATIVE LAW JUDGE: Teena Jibilian
17 APPEARANCES: Mssrs. LaDel Laub and Colin Jack on behalf of
18 Applicant; and
19 Mr. Brian E. Smith, Staff Attorney, Legal Division, on
20 behalf of the Utilities Division of the Arizona
21 Corporation Commission

22 **BY THE COMMISSION:**

23 * * * * *

24 Having considered the entire record herein and being fully advised in the premises, the
25 Commission finds, concludes, and orders that:

26 **FINDINGS OF FACT**

27 1. On September 25, 2012, Dixie Escalante Rural Electric Association, Inc., dba Dixie
28 Power ("Dixie" or "Cooperative") filed an application with the Arizona Corporation Commission
("Commission") for a determination of the fair value of its property and for an order setting just and
reasonable rates. The Direct Testimony of Dixie's witness John V. Wallace was attached to the
application.

2. On October 19, 2012, Dixie filed a revised Schedule H-3.1.

1 3. On October 19, 2012, the Commission's Utilities Division ("Staff") notified Dixie that
2 its application was sufficient under the guidelines of Arizona Administrative Code R14-2-103, and
3 classified the Company as Class B utility.

4 4. On November 2, 2012, Staff filed a Request for Procedural Schedule with proposed
5 dates for filing testimony and for a hearing on the application.

6 5. On November 5, 2012, a Rate Case Procedural Order was issued setting the matter for
7 hearing and establishing various procedural timelines.

8 6. On November 13, 2012, a Procedural Order was issued correcting an inadvertent error
9 in the public notice requirement specified in the Rate Case Procedural Order.

10 7. On December 17, 2012, Dixie filed Notice of Representation, to which was attached a
11 copy of the Cooperative's Board Resolution authorizing LaDel Laub, President and Chief Executive
12 Officer, Chery Hulet, Chief Financial Officer, and Colin Jack, Chief Operating Officer, to represent
13 Dixie in this rate proceeding.

14 8. On January 16, 2013, Dixie filed a new revised schedule H-3.1.

15 9. On January 31, 2013, Dixie filed certification of mailing and affidavit of publication
16 of public notice.

17 10. On April 23, 2013, Staff filed the Direct Testimony of Staff witnesses Julie McNeely-
18 Kirwan, Mary Rimback, Ed Stoneburg and Prem Bahl.

19 11. On May 7, 2013, Staff filed the Rate Design Direct Testimony of Staff witness Patrick
20 Lowe.

21 12. On May 20, 2013, Dixie filed the Rebuttal Testimony of its witness John V. Wallace.

22 13. On June 17, 2013, the hearing convened as scheduled before a duly authorized
23 Administrative Law Judge of the Commission. No members of the public appeared to provide public
24 comment. Dixie and Staff appeared through counsel, presented testimony of their witnesses, and
25 were afforded an opportunity to cross-examine witnesses.

26 14. At the close of the hearing, the parties were directed to make post-hearing filings
27 reflecting the agreements of the parties on rate schedules and service charges appearing in the
28

1 Cooperative's Rules and Regulations.¹

2 15. On July 12, 2013, Staff filed a Notice of Joint Filing to which was attached copies of
3 the Cooperative's Rules and Regulations that reflect the agreement between the Cooperative and
4 Staff.

5 16. On July 15, 2013, a telephonic procedural conference was convened. Staff appeared
6 through counsel and the Cooperative appeared through an authorized representative.

7 17. On July 15, 2013, Staff filed an Amended Notice of Joint Filing, and the rate
8 application was taken under advisement.

9 18. On July 15, 2013, the Cooperative filed in this docket a Petition for Declaratory Order
10 by which it requests confirmation that certain Arizona statutes do not apply to Dixie in relation to
11 past or future secured loan transactions ("Petition").

12 19. On August 15, 2013, a procedural order was issued in this docket setting a procedural
13 conference to provide the parties to this docket an opportunity to discuss an appropriate means of
14 processing the Petition.

15 20. On August 23, 2013, the procedural conference convened as scheduled. Staff and the
16 Cooperative appeared through counsel, and agreed that Staff will file a response to the Petition by
17 September 6, 2013, and Dixie will file its reply thereto, if any, by September 13, 2013, whereupon
18 the issues raised in the Petition will be taken under advisement, or if necessary, an additional
19 procedural conference will be scheduled.

20 **Description of Dixie**

21 21. Dixie is a Utah non-profit member-owned electricity distribution utility providing
22 electric utility service to the public both in Utah and in Mohave County, Arizona. Dixie provides
23 service in Arizona pursuant to authority granted in Decision Nos. 46063 (May 12, 1975) and 49208
24 (July 28, 1978). Dixie's main business offices are located in Beryl, Utah. Dixie is managed by a
25 Board of Directors which is elected by its member-owners.

26 22. Dixie has no generating capacity of its own, and is a member of Deseret Generation
27 Cooperative, Inc. ("Deseret"), a generation and transmission cooperative located in Utah.

28 _____
¹ Transcript of Hearing ("Tr.") at 15-16, 38-39, 41.

23. At the end of the December 31, 2011 test year, Dixie provided electric utility distribution service to approximately 13,500 customers in Utah, and to approximately 2,221 metered (1,980 residential) customers in the northwest corner of Arizona in the Arizona Strip, in and around the community of Littlefield, Mohave County, Arizona.

24. Dixie's current rates and charges for the Arizona jurisdiction were approved in Decision No. 60806 (April 8, 1998).

Dixie Proposals and Staff Recommendations

25. The application requests total operating revenue of \$2,108,887 for Dixie's Arizona jurisdiction, for an overall increase in revenues of \$193,316, or 10.09 percent over test year revenues of \$1,915,571. The application states that the increase is necessary due to an increase in the cost of power purchased from Deseret, plant improvements and replacements, and increases in operating expenses. Dixie's witness testified that its proposed rates for Dixie's Arizona customers are intended to keep the rates the same for Dixie's Arizona and Utah customers.²

26. Dixie and Staff, the only parties to this case, are in agreement on all issues in this case.

Adjusted Test Year Rate Base, Operating Expenses and Operating Revenues

27. For the test year ending December 31, 2011, Dixie proposes adoption of Staff's recommended Original Cost Less Depreciation Rate Base ("OCRB") and fair value rate base ("FVRB") of \$5,042,240 for the Arizona jurisdiction.³ The application had proposed a rate base of \$5,222,201, which included construction work in progress ("CWIP") in the amount of \$179,961. Staff removed the CWIP in its calculation of recommended rate base, because CWIP by definition is not used and useful plant in service.⁴ Staff proposed no other adjustments to rate base. Dixie did not request a cash working capital allowance, because it decided not to incur the additional expense required to conduct a lead/lag study.⁵ Dixie agrees with Staff's CWIP adjustment.⁶

28. Staff recommends that \$12,421 in Dixie's schedules for Dues, Sponsorships, Food, and Scholarships be excluded from Dixie's revenue requirement, because they are voluntary costs

² Direct Testimony of Dixie witness John V. Wallace, Exh. A-1 at 4.

³ The application did not include Reconstruction Cost New less Depreciation ("RCND") schedules, and Dixie stipulates to use of OCRB as FVRB. Exh. A-1 at 5.

⁴ Direct Testimony of Staff witness Mary J. Rimback, Exh. S-1b at 6 and Schedule MJR-5.

⁵ Exh. A-1 at 5.

⁶ Rebuttal Testimony of Dixie witness John V. Wallace, Exh. A-3 at 1, Tr. at 10.

1 and not necessary to provide service.⁷ Dixie accepts Staff's recommendation.⁸

2 29. Staff also recommends a reduction to Purchased Power Expense of \$77,349, from
3 \$1,285,986 to \$1,208,637.⁹ The purpose of this adjustment is to make Purchased Power Expense
4 consistent with Staff's recommended \$0.032778 per kWh base cost of Purchased Power. Dixie
5 accepts Staff's recommendation.¹⁰

6 30. In the application, Dixie proposed using Transmission and Distribution Gross Utility
7 Plant in Service as the allocation basis between Arizona and Utah for interest expense, and Gross
8 Plant as the allocation basis for debt principal. Staff's witness testified that because principal and
9 interest for any debt obligation are bound to that same underlying debt, the interest and principal
10 should be allocated using the same basis, and recommends instead using rate base to allocate both
11 interest expense and debt principal repayment.¹¹ Dixie accepts Staff's recommendation.¹² Staff's
12 adjustment increases interest expense from \$61,394 to \$105,775, and increases principal repayments
13 from \$62,890 to \$120,695.¹³

14 Rate of Return

15 31. The parties agree to a rate of return of 0.88 percent,¹⁴ which is reasonable under the
16 circumstances of this case. Because Dixie is a multi-state member-owned non-profit cooperative
17 with few Arizona customers, return on FVRB in this case is not a meaningful basis on which to set
18 Dixie's revenue requirement.

19 Revenue Requirement

20 32. Dixie and Staff recommend adoption of Dixie's proposed total Operating Revenue for
21 the Arizona jurisdiction of \$2,108,887, an increase of \$193,316, or 10.09 percent, over test year
22 revenues of \$1,915,57 to provide a \$44,615 operating margin and a \$48,783 net margin.¹⁵ Dixie's
23 Board of Directors and management have made a decision to charge Arizona and Utah customers the
24

25 ⁷ Exh. S-1b at 7 and Schedules MJR-6 and MJR-8.

⁸ Exh. A-3 at 1, Tr. at 10.

26 ⁹ Exh. S-1b at 7-8 and Schedules MJR-6 and MJR-7.

¹⁰ Exh. A-3 at 1, Tr. at 10.

27 ¹¹ Exh. S-1b at 9.

¹² Exh. A-3 at 1, Tr. at 10.

¹³ Exh. S-1b at 8-9 and Schedule MJR-2.

28 ¹⁴ Exh. S-1b at 4 and Schedule MJR-2; Exh. A-3 at 1.

¹⁵ *Id.*

1 same rates, and in an effort to keep the rates the same, Dixie is limiting its increase on Arizona
 2 customers.¹⁶ Staff's schedules show that the agreed upon revenues will result in a 0.42 times interest
 3 earned ratio ("TIER"),¹⁷ and a debt service coverage ratio ("DSC")¹⁸ of 0.94 for the Arizona
 4 jurisdiction.¹⁹ Staff explains that while its calculations show a TIER and DSC insufficient for the
 5 Arizona jurisdiction with the proposed rates, on a combined Arizona and Utah basis, Dixie would
 6 experience a 4.93 TIER and 3.94 DSC, both of which exceed Dixie's loan covenant requirements.²⁰

7 Cost of Service Study

8 33. Dixie performed a cost of service study.²¹ Based on its evaluation and analysis of the
 9 cost of service study model used by Dixie, Staff Engineering concluded that Dixie's cost of service
 10 study is consistent with the methodology generally accepted in the industry, and that Dixie developed
 11 the allocation factors appropriately.²² Staff stated that the results of the cost of service study are
 12 satisfactory, and recommended that Dixie's cost of service study be accepted.²³ Staff further
 13 recommended that Dixie continue to utilize the current cost of service study model in future rate
 14 cases.²⁴ Dixie is in agreement with Staff's recommendations.²⁵

15 Rate Design

16 34. According to Dixie's witness, the intent of its proposed rate design is to keep the rates
 17 the same for Dixie's Arizona and Utah customers.²⁶

18 35. Dixie proposes elimination of its Interruptible Irrigation rate and General Service
 19 rate.²⁷ Staff concurs with Dixie's proposal to eliminate the Interruptible Irrigation rate, because Dixie
 20

21 ¹⁶ Exh. A-1 at 3.

22 ¹⁷ TIER represents the number of times operating income will cover interest on long-term debt. It is calculated by
 dividing (1) operating margin after interest on long-term debt plus interest on long-term debt by (2) interest on long-term
 debt. When the TIER is greater than 1.0, operating income is sufficient to cover interest expense.

23 ¹⁸ DSC measures an entity's ability to generate cash flow to pay its debt service obligations (interest and principal) from
 operating activities. It is calculated by dividing (1) earnings before interest, taxes, and depreciation expense by (2) the
 24 principal and interest payments. When the DSC is greater than 1.0, operating cash flow is sufficient to cover debt
 obligations.

25 ¹⁹ Exh. S-1b at 4 and Schedule MJR-2.

26 ²⁰ Exh. S-1b at 10.

27 ²¹ Exh. A-1 at 6-8 and Schedules G-1 through G-7.

28 ²² Direct Testimony of Staff witness Prem K. Bahl, Exh. S-1d at 5.

²³ *Id.*

²⁴ *Id.*

²⁵ Exh. A-3 at 1, Tr. at 10.

²⁶ Exh. A-1 at 4.

²⁷ Exh. A-1 at 4.

1 does not have the automated equipment in place necessary to facilitate the interruption of irrigation
 2 customers, and the cost to upgrade the equipment would be excessive, as there is only one customer
 3 currently on this rate.²⁸ Staff also agrees with elimination of the General Service rate.²⁹ Dixie also
 4 has Small Commercial and Large Commercial customer rates, and Staff states that the one customer
 5 currently on the General Service rate would see a rate decrease if moved to the Small Commercial
 6 rate.³⁰

7 36. Dixie's proposed rate design increases the customer charges for most customer classes
 8 to include more fixed costs.³¹ Staff agrees with this change, stating that many of Dixie's distribution-
 9 related costs are fixed, and using fixed charges to collect fixed costs will help alleviate cash flow
 10 shortages for the Cooperative.³²

11 37. Dixie proposes several changes to its Service Charges. Staff agrees with the changes,
 12 and made additional recommendations in its rate design testimony as to how the changes should be
 13 applied.³³ Dixie is in agreement with Staff's recommendations.³⁴ The agreed-upon Service Charges
 14 and their applicability are set forth on the second page of Exhibit A, which is attached hereto and
 15 incorporated herein.

16 Purchased Power Adjustor Mechanism ("PPAM") and Base Cost of Power

17 38. Dixie does not currently have a PPAM for the Arizona jurisdiction, and requests that
 18 one be established. Dixie's witness testified that purchased power accounts for 58 percent of its total
 19 operating expenses; that its expense for purchased power has been more variable in recent years than
 20 in the past; and that it cannot continue to absorb the fluctuations in cost between rate cases.³⁵ Dixie
 21 requests that to the extent Dixie's actual purchased power expense is above or below the base cost of
 22 power, Dixie be allowed to charge a positive or negative adjustor rate to reflect the changes in cost.³⁶
 23 Dixie proposed a base cost of power of \$0.03693 per kWh.³⁷ Dixie further requested authority to

24 ²⁸ Direct Rate Design Testimony of Staff witness Patrick Lowe, Exh. S-2 at 2.

25 ²⁹ Exh. S-2 at 2.

26 ³⁰ Exh. S-2 at 2.

27 ³¹ Exh. S-2 at 4.

28 ³² Exh. S-2 at 4.

³³ See Exh. S-2 at 3-5.

³⁴ Exh. A-3 at 1; Tr. at 10.

³⁵ Exh. A-1 at 12-13.

³⁶ Exh. A-1 at 13.

³⁷ Exh. A-1 at 13.

1 accumulate a bank balance for future collections or refunds.³⁸

2 39. Based on Dixie's indications that its purchased power expense has become more
3 variable in recent years and that its purchased power expense accounts for approximately 58 percent
4 of its total operating expenses, Staff recommends that a PPAM be approved for Dixie that will limit
5 Dixie's under-collection of purchased power costs by adjusting its level of recovery for purchased
6 power costs between rate cases.³⁹ Staff recommends that the base cost of power be set at \$0.032778,
7 which reflects actual purchased power costs and kWh usage during the 2011 test year, and which will
8 make the base cost of power for Dixie's Arizona customers the same as for Dixie's Utah customers.⁴⁰

9 40. Staff recommends that Dixie be authorized to implement the same adjustor mechanism
10 currently being used in Utah for use in Dixie's Arizona service territory, with an initial adjustor rate
11 of \$0.001500.⁴¹ Dixie's Utah PPAM, which has been in place since August 2012, recovers power
12 costs through a per kWh adjustor rate which is reset each February 1, and does not include a bank
13 balance.⁴² Staff states that transmission and power costs are identical for customers in both states,
14 and designing a new, separate adjustor mechanism for the Arizona jurisdiction would be burdensome
15 and inefficient.⁴³ Staff further states that a bank balance is not necessary because changes in the cost
16 of power would be addressed through the adjustor mechanism, and that with respect to over-

17 ³⁸ Exh. A-1 at 13.

18 ³⁹ Direct Testimony of Staff witness Julie McNeely-Kirwan, Exh. S-1a at 2-3.

19 ⁴⁰ Exh. S-1a at 2.

20 ⁴¹ Exh. S-1a at 3-5. Staff's witness describes the calculation of the PPAM as follows:

21 The total cost of the base cost plus the adjustor rate (if any) would be subtracted from the actual total
22 cost per kWh. If the difference between the base cost plus the adjustor rate (if any) and the actual total
23 cost per kWh is less than \$0.0005 per kWh, Dixie will not reset the adjustor rate. If the difference per
24 kWh is more than \$0.0005 any adjustment will be rounded up or down to the nearest increment of
25 \$0.0005 per kWh. (For example, 0.001406 would be rounded up to 0.001500.)

26 Exh. S-1a at 4.

27 Staff also provided the following table demonstrating the functioning of the PPAM. Year 1 and Year 2 numbers are
28 actual, using Staff's recommended base cost of power, while Year 3 numbers are hypothetical:

	Year 1	Year 2	Year 3
total cost (actual)	0.032778	0.034184	0.035555
base cost	0.032778	0.032778	0.032778
calculated adjustor rate	0.000000	0.001406	0.002777
rounded adjustor rate	0.000000	0.001500	0.003000

29 Exh. S-1a at 4.

30 ⁴² Exh. S-1a at 3-5.

31 ⁴³ Exh. S-1a at 3.

1 collections, Dixie is a cooperative, and if its power costs are less than projected in a period, it would
 2 increase margins, and the overcollection would be returned to members in capital credits.⁴⁴ Capital
 3 credits are a portion of net income allocated to customers based on the revenue each customer paid
 4 into Dixie.⁴⁵

5 41. Along with its recommendation to approve the PPAM being used in
 6 Utah for use in Dixie's Arizona service territory, Staff recommends that Dixie be required to take the
 7 base cost of power into account when calculating the adjustor reset or determining whether a reset is
 8 necessary.⁴⁶ Staff also recommends that Dixie be required to file, within 90 days of this Decision, as
 9 a compliance item in this docket for Staff's review and approval, a proposed PPAM Plan of
 10 Administration which includes a detailed description of how its adjustor mechanism functions. Staff
 11 recommends that Dixie be required to file an updated tariff with the Commission within 30 days of
 12 resetting its adjustor each February, and that the filing should include both a clean copy of the new
 13 tariff and a redlined copy, showing what has been changed.⁴⁷

14 42. Dixie agrees with all Staff's recommendations regarding the base cost of power and
 15 PPAM.⁴⁸

16 Long-Term Debt Approval

17 43. Staff notes in testimony that Dixie has not sought approval for all its debts and
 18 loans. Staff recommends that Dixie either file an application seeking authorization for its long-term
 19 debt or file a request for a declaratory order that Commission authorization is not required for its
 20 debt.

21 44. Dixie stated at the hearing that it would file, by July 26, 2013, a request for a
 22 declaratory order that certain Arizona statutes regarding Commission approval of financing
 23 encumbrances are not applicable to Dixie. On July 15, 2013, Dixie filed the Petition. At a
 24 procedural conference held on August 23, 2013, counsel for the parties discussed an appropriate
 25 means of processing the Petition. The parties agreed that Staff will file a response to the Petition by
 26 _____

27 ⁴⁴ Exh. S-1a at 5.

⁴⁵ Exh. S-1a at 5.

⁴⁶ Exh. S-1a at 4.

⁴⁷ Exh. S-1a at 6.

⁴⁸ Exh. A-3 at 1, Tr. at 10.

September 6, 2013, and Dixie will file its reply thereto, if any, by September 13, 2013, whereupon the issues raised in the Petition will be taken under advisement, or if necessary, an additional procedural conference will be scheduled.

Electric Service Regulations

45. Impact Fees. Dixie's current Electric Service Regulations, at pages 21-22, require all applicants for new service, or reconnection of idle service, to pay an impact and connect fee. Decision No. 56655 (October 6, 1989) authorized Dixie to collect Impact Fees of \$750 for Arizona residential installed capacity over 20 kW and \$60 per kW of maximum installed capacity for other Arizona customer classes, with an exemption for small applicants with anticipated loads of less than 20 kW. Dixie requests an increase in Impact Fees as follows:⁴⁹

Residential and Single phase Small Commercial	Impact Fees
<u>Overhead System Connection</u>	
0 to 60 amps	\$ 400
61 to 200 amps	1,950
Each additional 200 amps or portion thereof	1,950
<u>Underground System Connection</u>	
0 to 60 amps	\$ 525
61 to 200 amps	2,950
Each additional 200 amps or portion thereof	2,950
All Commercial, Irrigation, etc.	Impact Fees
Installed capacity	\$60/kW

Dixie is not proposing any change to the connect fee, which is \$30 for all services. Staff's estimates of total costs for overhead system connection are \$2,462 and \$3,017 for underground system connection.⁵⁰ Staff states that while the proposed Impact Fees are lower than total projected costs, all the proposed Impact Fees are equal to those authorized in Dixie's Utah service territory.⁵¹ Staff recommends approval of the proposed changes to Dixie's Impact Fees.⁵²

46. Pro rata reimbursements of contributions. Dixie is proposing deletion of the section of its line extension policy that addresses the reimbursement of pro rata shares of contributed construction costs.⁵³ Dixie states that the policy has become very difficult to administer from both a

⁴⁹ Exh. A-1 at 13-14 and attached proposed Electric Service Regulations at 22.

⁵⁰ Exh. S-1a at 8.

⁵¹ Exh. S-1a at 8.

⁵² Exh. S-a at 9.

⁵³ Staff states that the section of Dixie's Electric Service Regulations in question currently provides as follows:

If a consumer desires a line extension from a line on which a contribution-in-aid has been made, the new consumer shall pay a pro rata share of construction if this occurs within 60

1 practical and equitable basis, because in most cases Dixie has multiple line extensions from multiple
 2 points on a line, making it impossible to calculate a fair distribution of reimbursement among all
 3 parties.⁵⁴ Dixie states that it has done away with the policy in Utah, and desires to do the same in
 4 Arizona.⁵⁵ If Dixie's proposal is adopted, its line extension policy will no longer include a provision
 5 charging pro rata shares to customers who desire a line extension from a line on which a contribution
 6 in aid of construction has already been made. Staff agrees with Dixie's proposal because there is no
 7 way of clearly determining an equitable basis for reimbursing the pro rata contributions.⁵⁶ Staff
 8 recommends, however, that customers who have made contributions in aid of construction to date
 9 under the current section of Dixie's Electric Service Regulations should be reimbursed under the
 10 current system.⁵⁷ Dixie is in agreement with Staff's recommendation.⁵⁸

11 47. Rate Revision Approval. Staff proposes that language be added to the paragraph
 12 headed "Rate Schedules" on page 15 of Dixie's Electric Service Regulations clarifying that
 13 Commission approval is required for rate changes. Staff recommends that the paragraph which
 14 currently reads "The rates prescribed by all Rate Schedules are subject to revision upon approval of
 15 the Board of Directors" be amended to include, after "Directors," "and following approval by the
 16 Arizona Corporation Commission."⁵⁹ Dixie agrees with this recommendation.⁶⁰

17 48. Rights-of-Way Clearing. Staff is recommending that the phrase in Dixie's Electric
 18 Service Regulations on page 12 regarding rights-of-way clearing, which currently states that
 19 customers must permit Dixie to "cut, trim and control the growth by chemical means, machinery or
 20 otherwise of trees and shrubbery" be replaced with "cut and trim trees and shrubbery" because Dixie
 21 has provided no information indicating the need to use chemical means to clear its rights-of-way
 22 easements across property owned or controlled by its customers.⁶¹ Dixie agrees with Staff's

months after construction of the line. The pro-rated cost factor share will be based on a 20%
 reduction in the cost factor for the actual line extension costs for each of the five years. Dixie
 Escalante will reimburse the pro rata share to the original payer.

Exh. S-1a at 9.

⁵⁴ Exh. A-1 at 14.

⁵⁵ Exh. A-1 at 14.

⁵⁶ Exh. S-1a at 10.

⁵⁷ Exh. S-1a at 10.

⁵⁸ Exh. A-3 at 1; Tr. at 10.

⁵⁹ Exh. S-1a at 11.

⁶⁰ Exh. A-3 at 1; Tr. at 10.

⁶¹ Exh. S-1a at 11.

1 recommendation.⁶²

2 Staff Engineering

3 49. Staff Engineer Edward F. Stoneburg physically inspected Dixie's distribution system
4 facilities on December 4, 2012.⁶³ Staff Engineering evaluated the Cooperative from an engineering
5 perspective based on the facilities inspection, discussions with Mr. Colin Jack, the Cooperative's
6 Chief Operating Officer and Engineering Manager, and data responses.⁶⁴

7 50. Based on its analysis, Staff Engineering concluded that Dixie:

- 8 1. is operating and maintaining its electrical system properly and in accordance
9 with applicable industry and regulatory standards;
- 10 2. is carrying out system improvements, upgrades, and new additions to meet the
11 current and projected load of the Cooperative in an efficient and reliable
12 manner, and the improvements, system upgrades, and new additions are
13 reasonable and appropriate;
- 14 3. has an acceptable level of system losses, consistent with industry guidelines;
15 and
- 16 4. has a satisfactory record of service interruptions in the historic period from
17 2007 through 2012, reflecting satisfactory quality of service.⁶⁵

18 51. Staff Engineering recommends that Dixie continue with planned system
19 improvements, upgrades, and new additions as provided for in the 2012-2014 Construction Work
20 Plan.⁶⁶

21 52. Staff's witness testified that Dixie has constructed a transmission line, as defined in
22 A.R.S. § 40-360, from St. George, Utah to Beaver Dam, Arizona, approximately 13 miles of which is
23 located in Arizona, without obtaining a Certificate of Environmental Compatibility ("CEC") as
24 required by A.R.S. § 40-360.03, and without filing a ten year plan as required by A.R.S. § 40-
25 360.02.⁶⁷ The St. George-Beaver Dam line is currently being operated at 69 kV, but was constructed

26 ⁶² Exh. A-3 at 1; Tr. at 10.

27 ⁶³ Direct Testimony of Staff witness Edward F. Stoneburg, Exh. S-1c at 2.

28 ⁶⁴ Exh. S-1c at 2-3.

⁶⁵ Exh. S-1c at 10-11.

⁶⁶ Exh. S-1c at 11.

⁶⁷ Exh. S-1c at 8-9.

1 to 138 kV standards in anticipation of future load growth in the Arizona service area.⁶⁸ Dixie's
2 witness testified at the hearing that Dixie does not anticipate a need for the 138 kV capability on the
3 line any time within the next 30 years.⁶⁹

4 53. Staff recommends that Dixie be required to comply with filing requirements of A.R.S.
5 § 40-360.02 going forward, and to obtain a CEC prior to operating the Arizona portion of the St.
6 George-Beaver Dam transmission line at or above 115 kV.⁷⁰

7 54. Dixie is in agreement with Staff Engineering's recommendations.⁷¹

8 Consumer Services

9 55. Staff reviewed the Commission's records and found one complaint during the past
10 three years, and no customer opinions on the requested rate increase. The single complaint concerned
11 a billing dispute and was resolved.⁷²

12 **Conclusions**

13 56. Dixie's FVRB is determined to be \$5,042,240.

14 57. Dixie's present rates and charges produced adjusted test year operating income of
15 (\$148,701), based on adjusted test year operating revenues of \$1,915,571 and adjusted test year
16 operating expenses of \$2,064,272. At the end of the test year, Dixie's operating TIER and DSC
17 levels for the Arizona jurisdiction were (1.41) and 0.08, respectively.

18 58. The rates and charges approved herein will increase revenues by \$193,316, or a 10.09
19 percent increase, resulting in net operating income of \$48,783.

20 59. The rates and charges approved herein will yield a rate of return of 0.88 percent on
21 Dixie's FVRB, which is reasonable under the circumstances of this case. Because Dixie is a multi-
22 state member-owned non-profit cooperative with few Arizona customers, return on FVRB in this
23 case is not a meaningful basis on which to set Dixie's revenue requirement.

24 60. With the rate increase and financing authorized herein, Dixie's operating TIER and
25 DSC for the Arizona jurisdiction will increase to 0.42 and 0.94, respectively. While the TIER and

26 ⁶⁸ Exh. S-1c at 8-9. A.R.S. § 40-360 defines a transmission line as one designed for the transmission of electric energy at
27 nominal voltages of 115 kV or more.

⁶⁹ Tr. at 14.

⁷⁰ Exh. S-1c at 11.

⁷¹ Exh. A-3 at 1; Tr. at 10.

⁷² Exh. S-1b at 4.

1 DSC for the Arizona jurisdiction alone would be insufficient, with the rate increase authorized herein,
2 Dixie will experience a 4.93 TIER and 3.94 DSC on a combined Arizona and Utah basis. The rates
3 approved herein will provide sufficient cash flow for Dixie to meet its combined Arizona and Utah
4 debt service obligations, operating needs and financial contingencies.

5 61. The cost of service study presented by Dixie in this proceeding should be accepted,
6 and Dixie should be required to use it in its next rate filing.

7 62. The rate design proposed by Dixie and agreed to by Staff should be adopted.

8 63. The base cost of power should be set at \$0.032778.

9 64. Under the rates approved herein, a residential customer with a monthly usage of 1,000
10 kWh (average residential usage was 953 kWh per month during the test year), will experience a rate
11 increase of \$4.50 (7.32 percent), from the current amount of \$61.50 to \$66.00. For small commercial
12 customers with monthly usage of 5,000 kWh (average small commercial usage was 5,005 kWh per
13 month during the test year), the increase will be \$29.40 (11.24 percent), from the current amount of
14 \$261.60 to \$291.00.

15 65. The Service Charges set forth in Exhibit A should be adopted.

16 66. Dixie should be authorized to implement a PPAM as recommended by Staff.

17 67. Dixie should be required to file, within 90 days of this Decision, as a compliance item
18 in this docket, a proposed PPAM Plan of Administration which includes a detailed description of how
19 its adjustor mechanism will function. The PPAM Plan of Administration should set forth how Dixie
20 will take the base cost of power into account when calculating the PPAM adjustor reset or
21 determining whether a reset is necessary.

22 68. Staff should be required to file, within 60 days of the date the proposed PPAM Plan of
23 Administration is filed, a Memorandum and Proposed Order that includes Staff's recommendation
24 regarding whether the proposed PPAM Plan of Administration should be approved as filed, and, in
25 the event Staff believes changes are required, that includes Staff's recommended changes thereto.

26 69. Dixie should be required to file an updated PPAM tariff with the Commission within
27 30 days of resetting its adjustor each February. The tariff should include both a clean copy of the
28 new tariff and a redlined copy, showing what has been changed.

70. Dixie's proposed changes to its Electric Service Regulations, along with Staff's recommendations, should be adopted. The updated Rules and Regulations agreed to by Dixie and Staff are set forth in Exhibit B.

71. Dixie should be required to continue to reimburse customers who have made contributions in aid of construction to date under the current line extension policy.

72. Staff Engineering's recommendations should be adopted.

CONCLUSIONS OF LAW

1. Dixie is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Dixie and the subject matter of the application.

3. Notice of the application was given in accordance with law.

4. The rates and charges authorized herein are just and reasonable.

5. It is just and reasonable and in the public interest to approve the rates and charges set forth in Exhibit A.

6. It is just and reasonable and in the public interest to approve the Rules and Regulations set forth in Exhibit B.

ORDER

IT IS THEREFORE ORDERED that Dixie Escalante Rural Electric Association, Inc. is hereby directed to file, on or before September 30, 2013, tariffs with a new schedule of rates and charges consistent with Exhibit A, increasing its operating revenues by \$193,316.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for all service rendered on and after September 30, 2013.

IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc. shall notify its customers of the revised schedules of rates and charges authorized herein by means of an insert, in a form acceptable to Staff, included in its next regularly scheduled billing, and by posting on its website.

IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc. is hereby authorized to implement a PPAM as recommended by Staff, and shall file, within 90 days of this

1 Decision, as a compliance item in this docket, a proposed PPAM Plan of Administration which
2 includes a detailed description of how its adjustor mechanism will function. The PPAM Plan of
3 Administration shall set forth how Dixie will take the base cost of power into account when
4 calculating the PPAM adjustor reset or determining whether a reset is necessary.

5 IT IS FURTHER ORDERED that Staff shall file, within 60 days of the date the proposed
6 PPAM Plan of Administration is filed, a Memorandum and Proposed Order that includes Staff's
7 recommendation regarding whether the proposed PPAM Plan of Administration should be approved
8 as filed. In the event Staff believes changes are required, the Memorandum and Proposed Order shall
9 include Staff's recommended changes.

10 IT IS FURTHER ORDERED that within 30 days of resetting its adjustor each February,
11 Dixie Escalante Rural Electric Association, Inc. shall file an updated PPAM tariff with the
12 Commission. The updated tariff shall include both a clean copy of the new tariff and a redlined copy,
13 showing what has been changed.

14 IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc.'s base cost
15 of power is hereby set at \$0.032778.

16 IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc.'s updated
17 Rules and Regulations, set forth in Exhibit B, are hereby approved.

18 IT IS FURTHER ORDERED that Dixie Rural Electric Association, Inc. shall continue to
19 reimburse those customers who have made contributions in aid of construction to date under the line
20 extension policy in the section of Dixie's Electric Service Regulations, now removed, which formerly
21 allowed pro rata contributions and pro rata reimbursements.

22 IT IS FURTHER ORDERED that Dixie Rural Electric Association, Inc. shall continue with
23 planned system improvements, upgrades, and new additions as provided for in its 2012-2014
24 Construction Work Plan

25 IT IS FURTHER ORDERED that Dixie Rural Electric Association, Inc. shall comply with
26 filing requirements of A.R.S. § 40-360.02 going forward, and shall obtain a Certificate of
27 Environmental Compatibility prior to operating the Arizona portion of the St. George-Beaver Dam
28 transmission line at or above 115 kV.

IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc.'s cost of service study presented in this proceeding is hereby accepted.

IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc.'s cost of service study presented in this proceeding shall be used in the Cooperative's next rate filing.

IT IS FURTHER ORDERED that the long-term debt approval issues raised in the Petition for Declaratory Order will be addressed in a subsequent Decision in this docket.

IT IS FURTHER ORDERED that this Decision is effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____ 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR:

DIXIE ESCALANTE RURAL ELECTRIC
ASSOCIATION, INC.

2

3 DOCKET NO.:

E-02044A-12-0419

4

5 Michael M. Grant

6 Jennifer A. Cranston

7 GALLAGHER & KENNEDY, PA

8 2575 E. Camelback Rd.

9 Phoenix, AZ 85016-9225

10 Attorneys for Dixie Escalante Rural Electric Association, Inc.

11

12 LaDel Laub, President and CEO

13 DIXIE EXCALANTE RURAL ELECTRIC

14 ASSOCIATION, INC.

15 71 East Highway 56

16 Beryl, UT 84714

17

18 John Wallace

19 GRAND CANYON STATE ELECTRIC

20 COOPERATIVE ASSN., INC.

21 2210 S. Priest Dr.

22 Tempe, AZ 85282

23

24 Janice Alward, Chief Counsel

25 Legal Division

26 ARIZONA CORPORATION COMMISSION

27 1200 W. Washington Street

28 Phoenix, Arizona 85007

29

30 Steven Olea, Director

31 Utilities Division

32 ARIZONA CORPORATION COMMISSION

33 1200 W. Washington Street

34 Phoenix, Arizona 85007

35

36

37

38

39

40

41

42

43

44

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**RATES AND CHARGES****CUSTOMER CLASS****RESIDENTIAL:**

Customer Charge	\$14.00
First 1500 kWh	\$ 0.0520
Additional kWh	\$ 0.0520

SMALL COMMERCIAL:

Customer Charge	\$20.00
First 1500 kWh	\$ 0.0470
Additional kWh	\$ 0.0470
First 20kW	\$ 0.00
Additional kW	\$ 9.00

LARGE COMMERCIAL:

Customer Charge	\$40.00
All kWh	\$ 0.0220
All kW	\$ 9.00

IRRIGATION:

Customer Charge	\$40.00
0 to 134 kWh per kW	\$ 0.0811
Over 134 kWh per kW	\$ 0.0411

OFF PEAK:

Customer Charge	\$40.00
Monthly Minimum	\$ 0.00
All kWh	\$ 0.0220
All Off-Peak kW	\$ 4.00
All other kW	\$30.00

STREET/AREA LIGHTING:

Street/Area Lighting (per Light)	\$12.00
State Highway Lighting	\$14.88

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**RATES AND CHARGES FOR OTHER SERVICES**

<u>Description of Service</u>	<u>Rate</u>
Connect Fee – Regular Hours	\$30.00
Connect Fee – After Hours*	\$75.00
Meter Testing Fee**	\$60.00
Meter Reread Fee	\$30.00
Insufficient Funds Check	\$25.00
Trip Charge***	\$20.00
Landlord Rollover Fee	\$10.00
Tampering****	\$200.00 or Cost
Interest Rate on Customer Deposits	6.00%
Late Payment (Per Month & Per Total Bill)	1.50%

* This fee is not charged in addition to the Regular Hours Connect Fee.

** This fee will apply on when a meter test is less than 2 percent in error and the meter has been tested more than once during a 12-month period.

*** This charge will be applied only when a customer is subject to disconnection for lack of payment; the service order has been processed; and a meter technician has been dispatched.

**** \$200 or the cost of the damage plus estimated usage, whichever is greater.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

INDEX OF
ELECTRIC SERVICE REGULATIONS
STATE OF ARIZONA
REVISED

<u>Regulation No.</u>	<u>Subject</u>	<u>Page No.</u>
1	General Provisions	2
2	General Definitions	3
3	Electric Service Agreements	5
4	Supply and Use of Service	7
5	Customer's Installation	9
6	Cooperative Installation	11
7	Metering	13
8	Billing	15
9	Deposits	18
10	Line Extension Policy	19
11	Taxes	23

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 1

STATE OF ARIZONA

GENERAL PROVISIONS

1. These Electric Service Regulations are designed to govern the supplying and receiving of electrical service to all who desire it within the Cooperative's service area at the lowest price consistent with the highest standards of service.
2. These Regulations supersede all previous regulations, and may be revised upon approval of the regulatory authority.
3. The rules regulating electric service prescribed by the Arizona Corporation Commission are hereby adopted and are made a part of these Regulations and Tariff.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 2

STATE OF ARIZONA

GENERAL DEFINITIONS

1. The following terms when used in this Tariff and in the Application or Agreement for Electric Service shall have the meanings given below unless clearly indicated otherwise:

- (a) Cooperative - Dixie-Escalante Rural Electric Association, Inc.
- (b) Customer - An individual, partnership, corporation, organization, governmental agency, political subdivision, municipality or other entity contracting with the Cooperative for electric service at one location and at one point of delivery.
- (c) Electric Service - The availability of electric power and energy at the Customer's point of delivery at the approximate voltage and for the purposes specified in the Application for Electric Service, Electric Service Agreement or Contract, irrespective of whether electric power and energy is actually used.
- (d) Point of Delivery - The point, unless otherwise specified in the Application for Electric Service, Electric Service Agreement or Contract, at which the Cooperative's service wires are connected with wires or apparatus of the Customer. If the Cooperative's service wires are connected with wires or apparatus of the Customer at more than one point, each connecting point shall be considered a separate Point of Delivery, unless the additional connecting points are made by the Cooperative for its sole convenience in supplying service. Any additional service supplied by the Cooperative at a different voltage or phase classification shall also be considered a separate Point of Delivery. Each Point of Delivery shall be separately metered and billed.
- (e) Customer's Installation - The wiring and apparatus owned by the Customer and on his side of the Point of Delivery (except the Cooperative's meter installation) useful in connection with the Customer's ability to take service.

- (f) Power - Electric Power measured in kilowatts (kW). For billing purposes, Power is the Customer's maximum use of electricity shown by or computed from the readings of Cooperative's kilowatt meter for a 15-minute period, unless otherwise specified in the applicable rate schedule; at the option of the Cooperative it may be determined either by periodic tests or by permanent meters. Power peaks due to accidents which the Customer could not have guarded against will be disregarded.
- (g) Energy - Electric Energy measured in kilowatt-hours. For billing purposes, Energy is the Customer's total use of electricity measured in kilowatt-hours during any month.
- (h) Month - The period of approximately thirty (30) days intervening between regular successive meter reading dates. At Cooperative's option, meters may be read and bills rendered either monthly or bimonthly.
- (i) Year - The period between the date of commencement of service under Application for Electric Service, Electric Service Agreement or Contract and the same day of the following calendar year.
- (j) Power Factor - The percentage determined by dividing Customer's average power use in kilowatts (Real Power) by the average kilovolt-ampere power load (Apparent Power) imposed upon Cooperative by Customer.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 3

STATE OF ARIZONA

ELECTRIC SERVICE AGREEMENTS

1. Application for Service

Each prospective Customer desiring electric service shall be required to sign the Cooperative's standard Application for Service and associated Right-of-Way forms.

2. Implied Service Agreement

In the absence of a signed Agreement or Application for Service, the delivery of electric service by the Cooperative and the acceptance thereof by the Customer shall be deemed to constitute an Agreement by and between the Cooperative and the Customer for delivery and acceptance of electrical service under the terms of the rate applicable to such service.

3. Electric Service Agreement, Rate Schedule, and Electric Service Regulations

These regulations and the applicable rate schedule are hereby made a part of each Agreement for Purchase of Power, expressed or implied. In case of a conflict between any of the provisions of the Agreement of Purchase of Power, Rate Schedule and the Electric Service Regulations, the provisions of the Rate Schedule will take precedence.

4. Renewal and Termination

At the expiration of the term stated in the Agreement for Purchase of Power, or any renewal thereof, or any extended term thereof, the Agreement for Purchase of Power shall be automatically renewed for a like term, unless either the Cooperative or the Customer notifies the other in writing six (6) months prior to termination date or unless otherwise stated in the Agreement for Purchase of Power.

5. Customers Obligation to Fulfill Agreement

Where the Customer entirely suspends operations during the agreement period, the Customer is still obligated to pay the minimum rates as set by the Agreement for Purchase of Power until such agreement terminates.

6. Remedies For The Cooperative

For any default or breach by Customer of a service Agreement or failure to pay bills promptly, Cooperative may terminate the service Agreement or suspend the supply of service. No such termination or suspension will occur without 15 days written notice to the Customer stating in what particular manner the Agreement for Purchase of Power has been violated, except in cases of theft or unauthorized use or disposition of service by Customer or in case of a dangerous condition on a Customer's side of the point of delivery of which the Cooperative is made aware.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 4

STATE OF ARIZONA

SUPPLY & USE OF SERVICE

1. Supply of Service

The Cooperative rates are based upon the furnishing of electric service to a Customer at a single point of delivery and at a single voltage and a specified phase classification. Each individual residential user, each separately operated business activity, and each separate building will be considered an individual Customer for billing purposes; except that if several buildings are occupied and used by one Customer in the operation of a single business, the Cooperative will furnish service for the entire group of buildings through one service connection at point of delivery, provided all such buildings are located on contiguous property not separated by property of other ownership or divided by public streets, roads, alleys, other public thoroughfares, railroad tracks or waterways.

2. Customer's Use of Service

Electric Service will be supplied only under the applicable rates to be determined from time to time in accordance with the Bylaws of the Cooperative, provided however that the Cooperative may limit the amount of electric energy to be furnished for industrial uses. Electric service will be supplied only to those for whom the Cooperative is the sole source of electric power and energy.

3. Continuity of Service

The Cooperative shall use reasonable diligence to provide a constant and uninterrupted supply of electrical power and energy but if such supply should fail or be interrupted or become defective through an act of God, the public enemy, by accident, strikes, labor trouble, by action of the elements or inability to secure right-of-way or other permits needed or for any other cause beyond the reasonable control of the Cooperative, the Cooperative shall not be liable therefore.

4. Strikes, Accidents and Restrictions

Strikes, labor troubles, accidents, litigations, State, Federal or local government interference or other causes affecting third parties shall not relieve Customer of liability for payment of minimum bills or any term minimum guarantees.

5. Suspension of Service for Repairs and Changes

For the purpose of making repairs to or changes in Cooperative plant, generating equipment, transmission or distribution system or other property, the Cooperative may, without incurring any liability therefrom, suspend service for such period as may be required but will endeavor to avoid unnecessary inconvenience to the Customer. Whenever possible the Cooperative will give reasonable notice prior to suspension of service.

6. Customer's Responsibility

The Customer assumes all responsibility on the Customer's side of the point of delivery for service supplied or taken and will indemnify and defend the Cooperative against all claims, demands, costs or expenses for loss, damage or injury to persons or property in any manner connected directly or indirectly with the transmission or use of electric service by the Customer at or on the Customer's side of the point of delivery.

7. Access to Premises

The Cooperative shall be granted by the Customer all the necessary permission to enable the Cooperative to install and/or maintain, reconstruct, rephase, repair and operate the electrical installation in order to carry out its contract. The Cooperative shall have the right, through its agents or other employees, to enter upon the premises of the Customer at all reasonable times for the purpose of reading, inspecting, removing metering devices, apparatus and wiring of the Cooperative and for all other purposes incident to the supplying or discontinuance of service.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 5

STATE OF ARIZONA

CUSTOMER'S INSTALLATION

1. Customer's Installation and Equipment

All wires and equipment (except Cooperative's meters and accessories) on the Customer's side of the point of delivery must be installed and maintained at the expense of the Customer. All wires, apparatus and equipment shall be selected with a view to obtaining safety, efficiency, good voltage regulation, and the highest practical power factor and shall comply with the standards of the National Electrical Safety Code issued by the National Bureau of Standards and the National Electric Code of the National Board of Fire Underwriters and also with regulations of any governmental authority having jurisdiction.

2. Service Entrances and Connections

The Customer shall provide a suitable service entrance to the premises to be served at the point specified by the Cooperative. Such entrance facilities shall provide a structurally sound point of attachment or support for the Cooperative's service conductors which will permit the clearances required by law.

3. Customer Load and Operations

The Cooperative reserves the right to refuse to connect or supply service to any applicant or to any Customer where such connection or service will adversely affect the service supplied to its other Customers or where the applicant or Customer has not complied with state, municipal or Cooperative regulations.

Suitable protective devices on the Customer's premises may be required at Customer's expense whenever the Cooperative deems such installation necessary to protect its property or that of its other Customers.

The Customer shall provide devices adequate to protect his equipment from high and low voltage and from overload. Three-phase motors should be protected against reversal of phase rotation and 'single-phasing'. The Cooperative will make every reasonable effort to avoid phase-reversal and 'single-phasing' but the Customer should provide adequate protection for his equipment.

4. Inspection by Cooperative

The Cooperative shall have the right, but does not assume the duty, to inspect Customer's installation at any reasonable time and to refuse to commence or to continue service whenever it does not consider such installation to be in good operating condition. Inspection of or failure to inspect by the Cooperative any Customer installation shall in no way render liable the Cooperative for any injury or damage resulting from such installation of the Customer.

5. Highly Fluctuating Loads

The Cooperative reserves the right to refuse to supply service to loads of a character which may seriously impair service to any Customer and shall have the right to discontinue service to the Customer who shall continue to use appliances or apparatus detrimental to the service to any other Customer after being notified thereof in writing by the Cooperative.

6. Changes in Installation

The Cooperative's wires, transformers, meters, and other facilities used in supply of service to Customer have a definite limited capacity. Customer shall therefore give notice to the Cooperative and obtain Cooperative permission before making any material changes or increases in Customer's installation. The Cooperative reserves the right to refuse permission and/or to advise the Customer upon what conditions service can be supplied.

7. Cooperative's Responsibility

Nothing in the Electric Service Regulations shall be construed as placing upon the Cooperative any responsibility for the condition or maintenance of the Customer's wiring, current consuming devices or other equipment and the Cooperative shall not be held liable for any loss or damage resulting from defects in the Customer's installation and shall not be held liable for damage to persons or property arising from the use of the service on the premises of the Customer.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 6

STATE OF ARIZONA

COOPERATIVE INSTALLATION

1. Cooperative's Installation

Except as otherwise provided in the Service Regulations, in the Agreement for the Purchase of Power or Rate Schedules, the Cooperative will install and maintain its lines and equipment on its side of the point of delivery, but shall not be required to install or maintain any lines or equipment except meters and accessories beyond that point. Only agents of the Cooperative are authorized to connect Cooperative's supply wires to Customer's service terminals.

2. Cooperative Property

All lines, apparatus, instruments, meters and materials furnished and installed by the Cooperative at its expense within the Customer's premises, shall be and remain the property of the Cooperative and may be removed by the Cooperative upon discontinuance of service. In the event of loss or damage to the Cooperative's property, rising from neglect, carelessness or misuse by the Customer, the cost of necessary repairs or replacement shall be paid by the Customer.

3. Service From Existing Lines

Service will be supplied to the Customer from the Cooperative's nearest line of sufficient capacity and appropriate phase and voltage to furnish adequate service under applicable rate schedule.

4. Relocation of Lines

The Cooperative will relocate its lines when such relocation is necessary, practical and justified. The Cooperative shall be sole judge of the circumstances concerning necessity, practicality and justification for relocation. If property owner requests relocation of lines on his property he shall bear the cost.

5. Right-of-Way

Customer shall make or secure, without expense to the Cooperative, conveyance for the Cooperative of satisfactory Right-of-Way easements across the property owned or controlled by the Customer for the Cooperative's lines or extensions thereof necessary or incidental to the furnishing of service to the Customer and shall permit access thereto by the Cooperative's employees at all reasonable hours. The Customer shall permit the Cooperative to cut and trim trees and shrubbery located within 20 feet of the center line of said line or system. Other right-of-way easements shall be provided to the Cooperative without cost to the Cooperative.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 7

STATE OF ARIZONA

METERING1. Installation

The Customer shall make provision for the connections of metering equipment at a convenient place, readily accessible without risk of bodily harm to Cooperative employees, free from vibration, corrosive atmosphere, and abnormal temperatures in which to install the Cooperative's metering equipment and shall furnish a meter base for Cooperative's meter. All meter locations and provisions for connecting metering equipment are subject to approval by the Cooperative. The cooperative will furnish, install and maintain at its own expense the necessary meter or electric service used by the Customer. The Customer shall provide and maintain a satisfactory location for the installation without expense to the Cooperative. Where the character of the service requires a graphic meter, the chart of which must be changed weekly, the Customer will provide attendance when requested by the Cooperative to care for and change the meter charts as required. The Customer will not interfere with or alter or permit interference with or alteration of the Cooperative's meter or other property.

2. Failure to Register

If the Cooperative's meter shall fail at any time to register accurately, the Cooperative may estimate Customer's power and energy during the time of such failure on the basis of the best available data. If any appliance or wiring connections are found on Customer's premises which prevent the meter from accurately recording the total amount of power and energy used on the premises, the Cooperative may at once remove such wiring or appliance and may estimate the power and the amount of energy consumed and not registered as accurately as it is able to do so. The Customer will immediately pay for such estimated power and energy consumption together with the expense of removing any such wiring or appliances and restoring the equipment of the Cooperative to its normal operating conditions. The Cooperative may also refuse further service or require the Customer to make such changes in his wiring installation as the Cooperative deems proper.

3. Meter Testing

Cooperative will test and inspect its meters from time to time and maintain their accuracy of registration in accordance with generally accepted practices and the rules and standards established by applicable regulatory authorities. If any such special test shows the average registration of a meter to be in error by more than 2% fast or slow the Cooperative will bear the cost of test. If the amount of error is less than 2% the Customer will bear the cost of the test unless the meter has not been tested at the Customer's request within 12 months period immediately preceding such request. When an average error of more than 2% is determined, the Cooperative will make a refund where the meter is fast and the Customer will pay the difference where the meter is slow. The billing adjustment for residential and commercial service will be made only for one-half the period intervening since the last test but not to exceed six months. In case of pump wells having a faulty meter a water reading may be used to compute the percent of error for the season.

The cost to the Customer if a meter test is less than 2% in error and the meter has been tested more than once during a 12 month period shall be \$60.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 8

STATE OF ARIZONA

BILLING

Rate Schedules

The rates prescribed by all Rate Schedules are subject to revision upon approval of the Board of Directors of the Cooperative and following approval of the Arizona Corporation Commission.

Billing Period

Bills ordinarily will be rendered monthly, but may be rendered more frequently or at different intervals at the option of the Cooperative. Estimated bills will be rendered when regular meter readings are not secured.

Address of Customers

Bills will be mailed to the address of the Customer appearing in the Application for Electric Service or to such address as Customer may request. When Customer vacates the premises where service is received his contract shall continue in effect until he notifies the Cooperative to cancel or transfer said agreement.

After mailing, the Cooperative assumes no responsibility for lost bills.

Separate Billings

At each point of delivery the use of service shall be metered and/or billed separately for each Customer served.

Payment of Bills

Bills for electric service supplied during the preceding billing period are due and payable when rendered. A Customer will have Twenty (20) days from the date the current bill was prepared to pay the new balance, which date shall be the statement due date. In the event the Customer tenders a payment of less than the full amount of the bill rendered, the Cooperative will apply said payment pro rata first to the charges in default and interest and the remainder, if any, to the current monthly charges unless otherwise agreed to by the Cooperative.

In the event the Customer tenders a check in payment of his bill and said check is returned by the bank unpaid because of insufficient funds or any other reason, Customer will be charged a handling and administration fee of \$25.00.

Commencing on each billing date, a late charge of one and one-half percent (1 1/2%) per month (annual percentage rate of 18%) will be assessed against any unpaid balance. With the exception of disconnection charges, reconnection charges and return check service charges, no other charge, whether described as a finance charge or service charge, will be applied to any residential account for failure to pay an outstanding bill by the statement due date.

Disconnection for NonPayment

At least 10 calendar days prior to a proposed termination of utility service, the Cooperative shall give written notice of disconnection for nonpayment to the account holder. The 10-day time period is computed from the date the notice is postmarked. During the winter months (November 1 through March 31) the Cooperative shall make good faith efforts to notify the account holder by telephone or by a personal visit to the residence at least 48 hours prior to the time of disconnection.

Discontinuance of Service

If Customer violated the conditions under which Cooperative supplies service under his Agreement for Purchase of Power and these Service Regulations or if he fails upon request from the Cooperative to pay an unsecured bill for service, Cooperative may discontinue service upon not less than 10 (ten) days written notice stating the cause of such discontinuance. In addition, the Cooperative reserves the right to discontinue service upon notice for any of the following reasons:

- A. For the use of electricity for any property or purpose other than that described in the application made thereof.
- B. Under any flat rate service, for addition to such property or fixtures or increase in the use to be made of electricity.
- C. For failure to maintain in good order service entrance facilities or equipment owned by the Customer.
- D. For tampering with any service wires, meter, seal or any other facilities of the Cooperative.
- E. In case Customer vacates premises either permanently, with or without notice to Cooperative, or temporarily, with notice to Cooperative, to stop service for the vacation period.
- F. For use of equipment which adversely affects the Cooperative's service to its other Customers.

- G. For refusal of reasonable access to property to the agent or employee of the Cooperative for the purpose of inspecting the facilities or for testing, reading, maintaining or removing meters.
- H. For fraudulent use of service.

The right to discontinue service for any of the above reasons may be exercised whenever and as often as such reasons may occur, and neither delay nor omission on the part of the Cooperative to enforce this rule shall be deemed a waiver of its right to enforce the same at any time so long as the reason continues.

Ten (10) days written notice will be given the Customer before service is discontinued under this provision, except in the case of danger to life or property when the Cooperative may discontinue service without notice.

If service to a Customer be disconnected or discontinued for any reason, Customer shall pay a \$30.00 disconnect fee and an additional \$30.00 fee for reconnection. If the Customer requires reconnection after the regular working hours of the Cooperative, the charge will be \$75.00 or the cost of the employee's overtime and mileage in addition to the \$30.00 reconnection charge.

If a Customer is subject to disconnection for lack of payment and the service order has been processed whether a meter technician has been dispatched at the time payment is made, the Customer shall pay a processing/trip fee of \$20.00.

If service to a Customer be disconnected for meter tampering, Customer shall pay a \$200.00 meter tampering fee plus any estimated usage before service is restored.

The Cooperative will restore service when the cause of discontinuance has been removed and payment of all proper charges due from the Customer including the disconnection and reconnection charges and deposit set forth in these Service Regulations has been paid.

If a Customer requests a service connection and a service call is not required because the service is active and only requires a name change, the Customer shall pay a \$10 account set up or maintenance fee and the Customer being disconnected will receive no charge.

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 9

STATE OF ARIZONA

DEPOSITS

Deposits

The Cooperative may require a deposit from any existing or prospective Customer to guarantee payment of bills in the absence of a credit reference satisfactory to the Cooperative. Such deposit shall not exceed three times the average monthly bill for the service desired.

Interest

Simple interest, computed from the date of deposit at the rate of six percent (6%) per annum, will be paid by the Cooperative upon all such deposits which have been held continuously by the Cooperative for a period of six (6) months or longer. Deposits with accrued interest, if any, will be repaid at the end of twelve (12) months, or sooner at the option of the Cooperative, unless the Customer has failed to regularly and promptly pay all bills for service. When in the sole judgement of the Cooperative an extraordinary credit risk exists, the Cooperative may hold the deposit of the Customer for a period longer than twelve months even though the Customer has regularly and promptly paid all bills for service. Upon settlement of a Customer's account, any unused balance of the deposit with accrued interest, if any, will be returned to the Customer. In computing interest, consideration shall be given only to major parts of months or dollars. Interest on Customer deposits shall cease upon discontinuance, for any reason, of service to the Customer.

Non-Payment of Bills

An applicant for electric service who is a former Customer of the Cooperative and whose service was discontinued for non-payment of bills will be required to make payment of all amounts remaining unpaid from his previous service in addition to a suitable deposit not to exceed three times the estimated average monthly bill.

Payment of Amounts Due and Owing

The Cooperative may apply all or any part of the Customer's deposit prescribed herein above to the payment of amounts due and owing the Cooperative for service rendered; and if Customer shall fail to restore any such deposit to its full amount within thirty (30) days after written request for restoration is mailed by Cooperative to Customer, Cooperative may discontinue service until deposit is restored to its full amount.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 10

STATE OF ARIZONA

LINE EXTENSION POLICY

1. General Provisions: Dixie Escalante Rural Electric Association, Inc. (Association) will provide electric service within the boundaries of its service area when rights-of-way are furnished, and the applicant complies with the conditions of one of the following classifications as determined by the Association. The Association will own, operate and maintain all extensions made under this rule.
 - a. "Permanent Service", as herein defined, includes service to residential, irrigation, and commercial when the use of service, both as to amount and permanence, can be assured.
 - b. "Indeterminate Service", as herein defined, includes but is not limited to service to mines, quarries, oil wells, industrial, manufacturing, and large commercial enterprises of speculative nature, real estate subdivisions, mobile homes and recreational vehicles, property being developed for sale, enterprises where there is little or no immediate demand for service by any other consumer, seasonals, and other service (except that defined hereinafter as "Temporary") where the amount and permanence of use cannot reasonably be assured.
 - c. "Temporary Service" as herein defined, includes but is not limited to service to circuses, bazaars, fairs, concessions and similar enterprises, construction work, etc., of a temporary nature, and ventures of such uncertain speculative nature that their permanence is questionable; such as mining or oil and gas production operations, etc., which, during the preliminary or development period of same, may, at Association's option, be classified in this category of service.

Non-refundable contributions in aid of construction will be calculated and charged to reflect the estimated construction costs as determined by the Association. An estimate fee will be charged before an estimate is calculated. This fee will be credited towards the non-refundable contribution in aid of construction.

2. Extension for Permanent Service:

- a. The applicant will be required to make a non-refundable contribution in aid of construction for the entire construction investment.

3. Extension for Indeterminate Service:

- a. The applicant will be required to make a non-refundable contribution in aid of construction for the entire construction investment.
- b. Platted developments being subdivided for future potential residential homesites will require a non-refundable contribution in aid of construction to be made to cover the costs of the basic backbone primary system being installed. A standard 200 amp service will be allowed for indeterminate services, both overhead and underground.

4. Extension for Temporary Service:

- a. For service classified as "Temporary", Association shall require applicant to pay Association in advance of construction an amount equivalent to Association's estimate of the total cost of construction and removal of the extension. This estimate will include salvage value if any.
- b. Service provided to a temporary extension shall be billed in accordance with the rate schedules applicable.
- c. Association may refuse to connect additional consumers to temporary extensions.
- d. Service over a temporary extension will not be continued for a period longer than eighteen (18) months; and if consumer desires service thereafter, said continued service shall be furnished under the terms of either the "Permanent" or "Indeterminate" plan, if Association's estimate of the future use of service justifies the continued operation and maintenance of the line.

5. Extension for Underground Power Lines:

Primary and/or secondary underground power lines will be supplied upon request when feasible. The consumer will pay a non-refundable contribution in aid of construction of 100% of the actual costs of construction for the primary and/or secondary power lines and related power equipment.

Meter loops and secondary extensions from the point of service to Association's transformers or secondary pedestals shall be the responsibility of the consumer, but must meet the inspection standards of the Association.

The Association will install, own and maintain all underground facilities to the point of delivery. The Customer may, at Association's discretion, be required to provide the excavation, bedding material as required, back fill of trenches, and ground restoration.

6. Large Industrial Loads: Large industrial loads involving special construction or circumstances will be individually analyzed and the provisions of the extension policy applied as agreed upon.
7. Idle Services: For services determined to be idle, Association may exercise its option to remove said service and use the materials elsewhere. Should the consumer require service at that location at some future date, he will be given service according to the provisions of this policy under the applicable classification as determined by the Association.
8. Street Light Installation and Maintenance:
 - a. Developers desiring street lights shall pay the estimated costs of construction in advance to have street lights installed by the Cooperative before construction begins. Street light design and specifications shall be approved by the Municipality in which street light service will occur.
 - b. Property Owners desiring street lights in existing subdivisions shall pay the estimated cost of construction to have street lights installed by the Cooperative in 3 annual installments with the first installment being due before construction begins. Street light design and specifications shall be approved by the Municipality in which street light service will occur. Property Owners shall sign a Street Light Installation Agreement before the installation of street lights will occur. If any of the annual installment payments are not received in a timely manner, the Cooperative may remove the street light until payment is received.
 - c. Maintenance of street lights will be completed at no cost to the Developer/Property Owners by the Cooperative on all standard street lights. Standard street lights consist of existing Cobra Head style and Ornamental Decorative style street lights supplied and warehoused by the Cooperative.
 - d. Maintenance of non-standard street lights will be completed by the Cooperative and the Developer/Property Owners agree to reimburse the Cooperative for any labor performed in excess of 1 hour per street light per year at the Cooperative's standard hourly billing rate. Developer/Property Owners shall supply, stock and warehouse any replacement parts for maintenance of non-standard street lights.
9. Impact Fees: All applicants for new service, or reconnect of idle service are subject to payment of an impact and connect fee as determined on the attached 'SCHEDULE A'.

**SCHEDULE 'A'
IMPACT FEES**

Service Size -	Impact Fee
<u>Residential and Single phase Small Commercial</u>	
(Overhead System Connection)	
0 to 60 AMPS	\$ 400.00
61 TO 200 AMPS	\$1950.00
Each additional 200 AMPS, or portion thereof	\$1950.00
(Underground System Connection)	
0 to 60 AMPS	\$ 525.00
61 TO 200 AMPS	\$2950.00
Each additional 200 AMPS, or portion thereof	\$2950.00
<u>All Commercial, Irrigation, etc.</u>	
Installed Capacity	\$60/KW

Upgrading of existing service will require the applicable impact fees to be paid.

	Connect Fee
All Services	\$30.00

Impact and connect fees are subject to change as necessary. Such necessity to be determined by the Board of Directors of Dixie Escalante Rural Electric Association, Inc. and following approval by the Arizona Corporation Commission.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

ELECTRIC SERVICE REGULATION NO. 11

STATE OF ARIZONA

TAXES

I. GENERAL

In the event any taxing body shall impose or increase any franchise, occupation, sales, license, excise or other tax or charge of any kind or nature, including taxes or charges based upon electricity sold or the receipts or income therefrom, the cooperative at its discretion, may add the pro-rata amount thereof and separately itemized and bill all Customers in the area or locality in which such tax or charge applies.

2. TAXES and FEES

Taxes and fees of the prevailing rates shall be separately itemized on each Customer's power bill.